



Economic Impact Analysis Virginia Department of Planning and Budget

23 VAC 10-390 – Soft Drink Excise Tax Regulations
Department of Taxation
June 20, 2006

Summary of the Proposed Amendments to Regulation

The Department of Taxation (department) proposes to repeal these regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The department proposes to repeal Sections 10, 30, and 50 of these regulations. Section 10 was “reserved” and had no content. Thus repealing Section 10 will have no impact.

Section 30 lists taxes owed by wholesalers and distributors of carbonated soft drinks set by ranges of gross receipts. The listed taxes owed by gross receipts in Section 30 differ from the listed taxes owed by gross receipts in the Code of Virginia Section 58.1-1702 for wholesalers and distributors who have soft drink receipts in excess of \$10,000,000. The tax rates in the Code of Virginia are higher.¹ When there is a conflict between the Code of Virginia and regulations, the Code of Virginia applies. Thus the repealing of these regulations will not change tax rates. The repeal will be beneficial nonetheless since the current contradictory information is misleading.

Section 50 is entirely repetitive of Code of Virginia Section 58.1-1704. Repealing Section 50 will have no impact.

¹ The regulations set taxes owed at \$6,000 for wholesalers and distributors with sales of soft drinks in excess of \$10,000,000. The Code of Virginia assesses \$7,200 for gross receipts in excess of \$10,000,000 but not above \$25,000,000; \$18,000,000 for gross receipts in excess of \$25,000,000 but not above \$50,000,000; and \$33,000 for gross receipts in excess of \$50,000,000.

Businesses and Entities Affected

The proposed repeal of these regulations will not significantly affect businesses and entities.

Localities Particularly Affected

No localities are particularly affected.

Projected Impact on Employment

The proposed repeal of these regulations will not affect employment.

Effects on the Use and Value of Private Property

The proposed repeal of these regulations will not affect the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed repeal of these regulations will not affect small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed repeal of these regulations will not affect small businesses.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a

statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.